

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 59th LEGISLATURE - REGULAR SESSION

JOINT APPROPRIATIONS SUBCOMMITTEE ON LONG RANGE PLANNING

Call to Order: By **CHAIRMAN JACK WELLS**, on January 24, 2005 at 8:00 A.M., in Room 350 Capitol.

ROLL CALL

Members Present:

Rep. Jack Wells, Chairman (R)
Sen. John Brueggeman (R)
Sen. Bob Keenan (R)
Rep. Ralph L. Lenhart (D)
Rep. John E. Witt (R)

Members Excused: None.

Members Absent: Sen. Jon Tester, Vice Chairman (D)
Sen. Mike Cooney (D)
Rep. Carol C. Juneau (D)

Staff Present: Laura Dillon, Committee Secretary
Catherine Duncan, Legislative Branch
Mike Burke, OBPP

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 7, 1/24/2005
Executive Action:

Reference book is: Governor's Budget State of Montana, Fiscal Years 2006-2007, Reclamation and Development Grant Program (RDGP), Volume 6.

CHAIRMAN WELLS opened the hearing for projects in HB 7.

Bluebird Mine Reclamation Project #3 Page 10

Greg Mills, Department of Natural Resources and Conservation (DNRC), introduced this project for the Bluebird Mine. The project will address health and safety concerns associated with heavy metal contamination and acid rock drainage originating from the mine. The project has been recommended for funding of \$300,000.

Proponents' Testimony:

Vic Andersen, DNRC, described the proposed project near the town of Wicks. The mine began operating in the 1800's and mined a variety of metals before being abandoned. There are currently problems with metal amounts and acid rock drainage affecting the water. The proposed project will isolate the contamination and reroute the water to protect its purity. Finally the site will be graded and revegetated.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

CHAIRMAN WELLS asked how long the reclamation was expected to take.

Mr. Andersen responded that the project should be completed within the next two years.

SEN. KEENAN asked who owned the land.

Mr. Andersen replied that the land was owned primarily by private owners.

REP. LENHART wanted to know how the heavy metals will be disposed of during reclamation.

Mr. Anderson explained that all solid waste materials are placed in a specially engineered repository. The repository is lined, capped and reseeded with vegetation.

REP. LENHART asked for the life expectancy of such a repository.

Mr. Andersen responded that the repository is expected to be permanent--lasting through hundreds of years.

{Tape: 1; Side: A; Approx. Time Counter: 0 - 12.2}

Frohner Mine Project #4 Page 13

Mr. Mills introduced the Frohner Mine Project for reclamation. The project is recommended for funding of \$300,000.

Proponents' Testimony:

Tom Mostad, Department of Environmental Quality (DEQ), testified that the mine, located near Clancy, closed in the late 1800's. The mine site contains unhealthy amounts of lead and arsenic. There are problems with surface and groundwater degradation. The mine drainage channel has caused erosion problems, especially around unvegetated areas of waste rock. The proposed project will allow for the excavation and disposal of the waste materials. The rock will be placed in a secure repository and the area will be re-seeded to prevent erosion.

Opponents' Testimony: None.

Questions from Committee Members and Responses: None.

Buckeye Mine Project #5 Page 17

Mr. Mills said the funding for this project will address reclamation of the Buckeye Mine and Mill Site. The site is located east of Sheridan and has been recommended for full funding.

Proponents' Testimony:

Ben Quirones, DEQ, described the mine site. The site was primarily used to mine lead and zinc and was most productive in the early part of the 19th century. Currently the site produces acid rock drainage and there are a number of hazardous structures on the property. The metal levels in the water around the site exceed allowable amounts. The project will work closely with local landowners and conservation districts to address mine waste and erosion problems.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

REP. LENHART asked if the project would address the high metal levels in the creek.

Mr. Quirones responded that the creek will restore itself once the drainage problems at the mine site are addressed.

{Tape: 1; Side: A; Approx. Time Counter: 12.2 - 28}

Zortman Mine Project #13 Page 45

Mr. Mills explained that the funds requested would partially complete the Z6 preferred reclamation alternative of the Zortman Mine. \$300,000 will be awarded for the project, provided that DEQ secures the necessary additional funding.

Proponents' Testimony:

Wayne Jepson, DEQ, described the mine location and history. DEQ has been responsible for the site cleanup since its previous owners, Pegasus Gold Corporation, declared bankruptcy in 1996. The funds secured for this project will be contributed to the preferred reclamation alternative; however, the entire alternative will not be completed until additional funds are secured.

Mr. Jepson stated that much reclamation has already been completed at the mine. Much of the mine site has been reseeded and recontoured. The recommended funding will allow for removal and reclamation of about half of the waste rock dump. The total reclamation for the site is funded by the original bond amount and through various agency grants.

Opponents' Testimony: None.

Questions from Committee Members and Responses: None.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 8.9}

MTS Tire Cleanup Project #16 Page 55

Mr. Mills stated that the grant for this project will fund waste tire removal from a state owned site near Columbus. The project has been recommended for funding of \$300,000.

Proponents' Testimony:

Rick Thompson, DEQ, gave a brief history of the site for the committee members. Nearly 300,000 waste tires were left at the site when it was abandoned by the original owner. The tire pile is a significant fire hazard and a breeding ground for disease-carrying rodents. As part of the proposed project, the tires will be removed to another waste management location for processing. Alternatively, the tires could be buried on site.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. COONEY asked if the tires could be taken to be recycled.

Mr. Thompson responded that having the tires recycled was a desired option, but this service is not offered within the state.

CHAIRMAN WELLS asked if there was a tire burning project near Three Forks.

Mr. Thompson replied that a plant near Three Forks had proposed using tires as part of the cement-making process. The project is still in the permitting stages and could be an option if it begins service.

Landusky Project Page 61

Mr. Mills presented this proposal for additional groundwater studies in the Swift Gulch area located with the Landusky Mine. The study is not a priority at this time and there are questions as to which agency should supply funding. The project is not recommended for funding at this time.

Proponents' Testimony:

Mr. Jepson said the site for the study is located near the Landusky Mine on public and private lands. The water at the abandoned site shows evidence of acid rock drainage. Much of the acid problem has been attributed to natural changes in climate of the area; however, a study is necessary to correctly identify the source of the acid drainage. Different options for dealing with the acid rock problem would be investigated through the study.

{Tape: 1; Side: B; Approx. Time Counter: 8.9 - 30}

Mr. Jepson continued that water monitoring wells could be drilled and tracer tests could be completed if the project receives funding. The grant would facilitate cooperation between state and tribal agencies on the project.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

REP. LENHART asked where the contaminated drainage from the site flowed.

Mr. Jepson replied that the Swift Gulch drainage flows into the Milk River.

REP. LENHART asked if the water in the Milk River was being monitored.

Mr. Jepson answered that the water was monitored from the mine site until it reached the boundaries of the Fort Belknap Indian Reservation.

REP. LENHART asked what the results of the monitoring tests showed.

Mr. Jepson said the water quality is poor in Swift Gulch Creek, but improves as it moves further downstream.

CHAIRMAN WELLS asked Mr. Mills to elaborate on why DNRC was not recommending funding for this project.

Mr. Mills explained that the review committee had several issues with the application. There were questions about what agency should be responsible to fund the project. The Bureau of Land Management is beginning a study in the area and DNRC did not feel it was necessary to expend RDGP funds when there was already an ongoing study.

{Tape: 2; Side: A; Approx. Time Counter: 0 - 9}

Harlem Bulk Plant Project Page 58

Mr. Mills presented the Former Harlem Equity Co-Op Bulk Plant Project to the committee. The applicant has requested \$285,572 to address contamination problems at the abandoned petroleum storage facility. No funding recommendation has been made for the project.

Proponents' Testimony:

Pat Skibicki, DEQ, distributed a handout (Exhibit 1) which illustrated the proposed project for the committee. The site has not qualified for federal or other agency grants and the contamination has already impacted the groundwater in the area. If the project received funding, the contaminated soil would be removed, treated at an off-site location and returned to the area for reclamation.

[EXHIBIT\(jlh18a01\)](#)

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. COONEY asked Mr. Skibicki to further explain the pipe system.

Mr. Skibicki said the system included five overhead tanks that were connected to pipes. The pipes were the source of much of the contamination due to their constant leakage.

SEN. COONEY asked about the current status of the tanks.

Mr. Skibicki responded that the tanks have all been removed.

Zortman-Landusky Mine Project Page 65

Mr. Mills explained that this request for funds would allow for year-round operation of DEQ treatment systems at the site for three years. RDGP does not fund annual costs for state agencies and is therefore recommending no funding for the project.

Proponents' Testimony:

Mr. Jepson testified that the current amount of funding available through bonds and trusts will not be sufficient to address the problems with acid rock drainage. The problem affects three drainages at Zortman and five drainages at Landusky. The costs of treatment have become higher than first estimated and the DEQ feels they will no longer be able to keep up without financial assistance.

Opponents' Testimony: None.

Questions from Committee Members and Responses: None.

{Tape: 2; Side: A; Approx. Time Counter: 9 - 29.3}

Powell County Project #15 Page 52

Mr. Mills introduced this project for wetlands improvement in an area of Powell County. The project is being recommended for \$240,850. This is a greater amount than was originally requested by the applicant.

Proponents' Testimony:

Dwight O'Hara, Powell County Commissioner, described the proposed project. The community would like to restore wetlands near Garrison and develop the area to be used as an outdoor classroom.

Mr O'Hara added that the location is an ideal rest stop for travelers and local schools would be welcome to utilize the area.

Jed Thomas, Project Engineer, explained that the area had previously been occupied by a lime and phosphate production. Mined wastes still remain at the site and will be removed or reclaimed in order to develop the area. A wildlife viewing area will be constructed once the wetlands are restored and some of the remaining mill structures will be utilized as part of the new project. The project is also receiving assistance from other funding sources.

{SEN. TESTER entered the meeting at 9:30 A.M.}

SEN. DAVE LEWIS, SD 42, stated his support for the project.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. COONEY asked if there were any structures on the site that would have to be removed.

Mr. Thomas answered that there were a few structures that would have to be removed for safety reasons.

SEN. KEENAN asked how close the railroad turn-around was to the proposed project.

SEN. COONEY explained that the area SEN. KEENAN was referring to was located farther to the west.

MSU Carbon Sequestration Project Page 69

Mr. Mills discussed this project proposed by the university system. They would like funding to research the potential geological sequestration of carbon dioxide in the state. The project is not being recommended for funding because it does not qualify as a crucial state need.

Proponents' Testimony:

Susan Capalbo, Montana State University, presented a written outline of the project to the committee members (Exhibit 2). The project is one of only a few projects to receive funding from the Department of Energy.

Ms. Capalbo added that the project will partner with several other western states, which are also interested in addressing the Greenhouse Effect problem through carbon sequestration.

EXHIBIT(jlh18a02)

David Lopez, Bureau of Mines and Technology, explained that the project involves putting carbon dioxide back into the ground where it will stay indefinitely. This will hopefully mitigate the Greenhouse Effect.

Ms. Capalbo said the Department of Energy funding is proposed at \$14 million for four years. They need to come up with a 14 percent federal match to the funding.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. TESTER commented that the technical assessment states that a \$1.9 million grant has already been awarded.

Ms. Capalbo explained that the funds were awarded as part of the first phase of the project planning.

SEN. TESTER asked if any of the work for the current proposal had been done with that original amount.

Ms. Capalbo replied that no work had been done on the proposed project because they were waiting to bring in the expertise of Montana Tech faculty.

SEN. TESTER asked if the coal industry had contributed to the project.

Ms. Capalbo responded that the industry had provided some in-kind donations, but had not officially contributed any funds.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 0.7}

Sheridan County CD Project Page 72

Mr. Mills explained that the conservation district had requested funding for an oilfield brine contamination study during the 2003 biennium. Much of this project is yet to be completed; therefore, this year's request is not being recommended for funding.

Proponents' Testimony:

Jeff Wivholm, Sheridan County CD, distributed copies of written testimony and project photos to the committee. The project was partially funded two years ago for planning and assessment, and this phase has been completed at most of the sites. The project report has been completed and the project could go forward at this point if funds were granted.

EXHIBIT(jlh18a03)

Mr. Wivholm voiced concern that the brine contamination is running into other water sources. Under the proposed project, the brine would be collected, treated and reinjected into the aquifer. The district is working with other agencies that are willing to contribute to funding of the project.

SEN. SAM KITZENBERG, SD 18, pledged his support for the project. There are plans for a state park to be developed in the area and the water contamination could potentially interfere with those plans.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

REP. LENHART asked if the oil field pits were lined.

Mr. Wivholm said they do not know if any of the pits are lined. Operators were not always required to line the pits in the past. Nowadays, there are more stringent requirements and a better system in place.

SEN. COONEY asked if the necessary reports had been completed for the project to be recommended for funding.

Mr. Mills answered that they had received the report, but it had not yet been entirely reviewed.

SEN. COONEY asked Mr. Mills if his department thought the project was ready to be implemented.

Mr. Mills stated that the project is not ready to move forward with the grant amount requested. The project would have to be further reviewed and the rate adjusted to correlate with the amount of work the district could conceivably complete within a year.

SEN. TESTER asked how much money had been given to the project over the past decade.

Mr. Wivholm responded that the first grant was received during the last biennium.

SEN. TESTER asked how much of that grant remained to be used.

Mr. Wivholm said about 75 percent of the grant money from the last biennium has yet to be used.

SEN. TESTER asked how many total "problem sites" had been identified.

Mr. Wivholm replied, "Twenty-two."

SEN. TESTER asked if any of the sites had been corrected.

Mr. Wivholm answered, "No."

SEN. TESTER asked how much of the requested funding would be used for project assessment.

Mr. Wivholm responded that the requested funds would be used entirely for groundwork and excavation.

SEN. TESTER asked where the soil was taken once it has been removed.

Mr. Wivholm stated that the soil can be lightly spread in the local landfill in most cases.

SEN. TESTER asked how simply moving the salt would address the problem.

Mr. Wivholm replied that there are also specific sites, such as toxic waste dumps, to which the soil can be removed.

SEN. TESTER asked how many sites could be reclaimed with the nearly \$270,000 requested.

Mr. Wivholm said the district is hoping to address from 10 to 20 sites.

SEN. TESTER asked if the district had sought assistance from the Board of Oil and Gas.

Mr. Wivholm answered that the problem was presented to the board, but they have not yet made any final decisions.

SEN. TESTER commented that he had approached the Board of Oil and Gas regarding the problem and they had indicated to him that they were not likely to commit funds for a study.

REP. WITT asked if the problem affected ground or surface water.

Mr. Wivholm commented that they did not know yet the extent of the contamination. He went on to explain some of the display pictures to the committee.

REP. WITT asked Mr. Mills his opinion on the project's feasibility.

Mr. Mills said he felt the source of the contamination needed to be addressed as well as the cleanup. The report is not clear on the amount needed to complete the project. If the report is revised to include a clearer picture of progress, it will likely be recommended for funding.

{Tape: 3; Side: A; Approx. Time Counter: 0.7 - 30}

SEN. TESTER asked if cleanup should be the responsibility of the Board of Oil and Gas.

Mr. Mills replied that the board has reviewed the project and supports the cleanup, but has not yet made it a priority.

REP. WITT commented that he would like a better understanding of the project before committing to funding.

SEN. COONEY asked if the money leftover from last biennium could be used.

Mr. Wivholm said the funds would be used for cleanup this summer. The Fish and Game Department as well as local farmers are willing to share in the costs.

SEN. COONEY suggested that the district utilize the money leftover from the last biennium and then return to the legislature during the next funding cycle with a better plan.

SEN. KITZENBERG felt that the problem could become a bigger problem by the time the next funding cycle rolled around.

St. Mary's Study and Design Project #7 Page 25

Mr. Mills explained that the money requested for this project would go to fund the first phase (studies and design) of the St. Mary's Project. It is necessary to have the funding for this

phase in place before federal funds can be secured. The project is recommended for the full amount of \$300,000.

{Tape: 3; Side: B; Approx. Time Counter: 0 - 15.6}

Proponents' Testimony:

John Tubbs, DNRC, stated that the engineering costs for the infrastructure were estimated at \$127 million. The project is likely to become more ambitious as a result of the increase in funding request by the executive branch.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. TESTER asked if the project realistically had a chance to receive federal funding within six to eight months.

Mr. Tubbs explained that it was critical the project receive federal funding. Members of Montana's Congressional Delegation have indicated that the project will be assured a federal appropriation by the end of their legislative session.

SEN. TESTER asked if there would be enough time to get a workable plan in place once the money was appropriated.

Mr. Tubbs responded the plan could be completed, but is dependent on additional monies for engineering. A preferred design for the project would need to be chosen at this time.

REP. WITT asked what was being done in regard to shared water rights with Canada.

Mr. Tubbs stated that a panel of experts from both countries are reviewing the original water rights order.

REP. WITT asked for a further explanation of the order.

Mr. Tubbs replied that the state had made a compact to share half of the combined flows of the Milk River with Canada. Currently, Canada is receiving closer to 60 percent of the flows and they are reluctant to re-open the order for review.

REP. WITT asked if any headway had been made with tribal negotiations.

Mr. Tubbs explained that the Blackfeet Tribe has not indicated to whom they would sell the rights to their water, if in fact they

own any. The tribe currently has claimed 50,000 acre feet of drainage. Canada seems like the logical choice for water sales at the moment because they are downstream and there is no canal. Montana cannot expect to be sold any of the water rights without a completed project.

SEN. BRUEGGEMAN asked if increasing storage capacity of the current system was part of the discussion for the proposed project.

Mr. Tubbs responded that the working group is investigating the possibility of storage at Fresno Reservoir. The Blackfeet Tribe may be looking at implementing some smaller storage facilities.

SEN. BRUEGGEMAN asked if this was in consideration of hydrological power.

Mr. Tubbs answered that the possibility of hydrological power was being investigated at certain sites.

CHAIRMAN WELLS concluded discussion of the St. Mary's project and adjourned the meeting.

{Tape: 3; Side: B; Approx. Time Counter: 15.6 - 32}

ADJOURNMENT

Adjournment: 10:45 A.M.

REP. JACK WELLS, Chairman

LAURA DILLON, Secretary

JW/ld

Additional Exhibits:

EXHIBIT ([jlh18aad0.TIF](#))